

Message Text

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17-12

ACTION EA-14

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FM USLO PEKING

TO SECSTATE WASHDC 966

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1368

E.O. 11652: GDS

TAGS: ETRD, CH

SUBJECT: KELLOGG SELLS FIVE MORE AMMONIA PLANTS TO CHINA

REF: PEKING 0345

1. ON NOVEMBER 1, AFTER SIX WEEKS OF NEGOTIATIONS, SENIOR VICE PRESIDENT JAMES PETRIE OF M.W. KELLOGG SIGNED A CONTRACT WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT) FOR THE SALE OF FIVE ADDITIONAL AMMONIA PLANTS. THE NEW PLANTS ARE IDENTICAL TO THE THREE THAT KELLOGG SOLD CHINA UNDER CONTRACTS SIGNED IN JUNE (REFTEL). THE COST OF THE FIVE PLANTS IS \$130 MILLION WHICH, WHEN ADDED TO THE COST OF THE PREVIOUS THREE, BRINGS THE TOTAL KELLOGG PACKAGE TO OVER \$200 MILLION. AT A BANQUET ON NOVEMBER 7, TS'UI CHUN, THE GENERAL MANAGER OF TECHIMPORT, CHARACTERIZED THE KELLOGG DEAL AS THE LARGEST US EQUIPMENT SALE TO CHINA (I.E., BIGGER THAN THE BOEINGS).

2. PETRIE HAS NO INFORMATION AT PRESENT AS TO WHERE THE FIVE PLANTS WILL BE LOCATED. AS WITH THE PREVIOUS CONTRACTS, THESE PLANTS WILL REQUIRE THE PRESENCE OF AMERICAN PERSONNEL TO PROVIDE TECHNICAL ASSISTANCE DURING CONSTRUCTION AND STARTING UP. ACCORDING TO PETRIE, SOME 20 TO 25 PEOPLE, ALBEIT AT DIFFERENT TIMES, WILL BE INVOLVED

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IN CONSTRUCTION OF EACH PLANT.

3. PETRIE ALSO PROVIDED THE FOLLOWING INFORMATION ABOUT THE CHINESE TEAM WHICH WILL BE VISITING THE UNITED STATES LATER THIS MONTH IN CONNECTION WITH THE KELLOGG PLANT SALES. THE TEAM OF 10 PEOPLE (SEE PEKING 1339) WILL BE HEADED BY FENG PO-HUA, WHO IS HEAD OF THE ENERGY AND CHEMICAL INDUSTRY PLANNING INSTITUTE. THE DEPUTY HEAD, LIU HSING-HUA, HAS BEEN THE CHIEF TECHIMPORT NEGOTIATOR ON THE KELLOGG PLANT SALES. THE TEAM WILL VISIT KELLOGG FACILITIES IN HOUSTON AND THE FACILITIES OF MAJOR SUPPLIERS OF EQUIPMENT WHICH WILL GO INTO THE PLANTS TO BE BUILT IN CHINA. NO MEMBERS OF THE TEAM HAVE BEEN TO THE U.S. BEFORE.

4. PETRIE REQUESTED THAT THE INFORMATION ON THE NEW SALE BE HELD CLOSELY WITHIN THE USG. (IN THIS CONNECTION, WE TOLD HIM THAT MINISTER OF FOREIGN TRADE LI CHIANG, IN HIS MEETING WITH THE DELEGATION FROM THE NATIONAL COUNCIL FOR US-CHINA TRADE ON NOVEMBER 8, TOLD THE VISITORS THAT THE PRC HAD JUST BOUGHT FIVE MORE AMERICAN PLANTS WORTH \$130 MILLION, BUT LI DID NOT MENTION KELLOGG BY NAME. L PETRIE ALSO SAID THAT TECHIMPORT HOPES THERE WILL BE NO FANFARE IN CONNECTION WITH THE VISIT OF THE CHINESE TEAM (PARAGRAPH 3 ABOVE).
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